

PHARMACY BENEFITS CONTRACT SAVES STATE AND LOCAL GOVERNMENTS \$540 MILLION IN RX COSTS

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TRENTON – Governor Jon S. Corzine announced today that Treasury’s Division of Purchase and Property has issued a Notice of Intent to Award a new contract that will save New Jersey taxpayers approximately \$540 million over the next five years in the cost to deliver pharmacy benefits to active and retired public workers in the State Health Benefits Program (SHBP) and the School Employees Health Benefits Program (SEHBP).

Prescription drug benefits are provided through a health coverage system directed by Treasury’s Division of Pensions and Benefits, under the auspices of the SHBP and the SEHBP. The combined plans cover approximately 800,000 lives including active, retired, COBRA individuals and their dependents. Of this number, approximately 670,000 individuals receive prescription coverage under the State plan. The delivery of these benefits has historically been a function of New Jersey’s health plan administrator, which has provided benefits through a third-party contractor. In an effort to deliver these benefits at a lower cost to taxpayers, the Corzine Administration, through the State Health Benefits Commission and the SEHB Commission, directed in 2008 that the pharmacy benefits component be managed separately and directly by the State, effective January 1, 2010.

“Over the last three years, my administration has worked hard to contain the cost of providing public employees and retirees with health care coverage by enacting major plan design changes, asking public employees to contribute more toward their coverage, and giving local governments more tools to manage their costs,” Governor Corzine said. The pharmacy benefits management contract builds off these other reforms and delivers major savings to state taxpayers.”

Absent this new contract, the aggregate cost of providing pharmacy benefits to covered employees, retirees and dependents over the next five years is projected to be \$6.36 billion. Under the contract to be awarded, that cost would be reduced to \$5.82 billion, a savings of \$540 million over the life of the contract, or \$108 million annually. Approximately one-third of the savings would accrue to local governments and school participants in the State health plans.

“We are pleased that this competitive contract process resulted in an award that will deliver the highest rated quality of service to the State and the most economical cost to the taxpayer,” Treasurer David Rousseau said.

Following an open and competitive bidding process, Acting Purchase and Property Director Alice K. Small accepted an evaluation committee’s recommendation to award the Pharmacy Benefits Management contract to Medco Health Solutions, Inc., of Franklin Lakes, NJ. Medco submitted the lowest bid, and its proposal received the highest technical score of all responses. A total of eight firms responded to the Request for Proposal, which was released in March of this year.

The bid opening for the Pharmacy Benefits Manager RFP was conducted on May 20, 2009. Medco Health Solutions, Inc. was among eight bidders that submitted a proposal to the State. The others were: Aetna Life Insurance, Benecard Prescription Benefits Facilitator, Catalyst Rx, CIGNA, Express Scripts, Inc., Horizon Healthcare Services, and Prime Therapeutics LLC.

Vendors were advised last week of the Intent to Award which is expected to become final after the ten day protest period elapses. The new pharmacy benefits program will be effective January 1, 2010. ###